

## **YOU AND YOUR HEALTH COSTS**

First in a Series

by Senator Bruce Patterson and Dr. David H. Janda, M.D.

Yearly, our costs for health coverage have soared. Reluctantly, many employers have had to halt health care coverage, or curtail such benefits. Already, \$2 Trillion a year is spent on health in the U.S.A. --15% of the G.N.P.

Many factors contribute to soaring costs. *Medi-care* was supposed to cost \$3.5 Billion in 1980, according to Congress' projections at its proposal in 1935. It actually cost \$105 Billion – 30 times as much! Now, daily, there is some \$46 Million in *Medic-aid* fraud. Who pays for that? *YOU DO!*

Lawsuits per 100 physicians over the past three years have tripled. Business cost – for all doctors – increases through the insurance they must pay to function. Many are leaving medical practice, unable to afford the premiums. Fewer physicians equals higher prices – *for you*. More strain on fewer health professionals drives up prices for everyone. Fear of lawsuits drives doctors to order unnecessary tests, to cover themselves. These increase costs by \$15 Billion yearly. Even if insurance “covers this cost for you,” the cost of your insurance goes up. It comes back to haunt your employer, and may put your insurance beyond affordability. Then it will haunt *YOU*.

Insurance industry paperwork also drives up costs of practicing medicine. Your doctor has many more forms to fill, requiring staff; insurers must hire more staff to read and file these papers. In Alberta, Canada's health system handles 2.5 million people with 150 administrators; in Massachusetts, Blue Cross/Blue Shield handles 2.5 million people with 6,000 administrators! At no extra cost? Hardly!

What can be done?

Competition reduces costs in health care, just as in other “industries.” Personal Health Savings Accounts (HSAs) can already demonstrate ability to change things for the better. Putting people back in charge of their own health care gives them incentives like nothing else can. People make healthier choices about how they live, “having a dog in this fight.”

Some providers near you provide care of equal, or superior quality, for less money. Some providers do preventive medicine, to keep you healthier, so catastrophic illness does not catch you off guard. It has already been tried; it works. We *can* reduce the amount of paperwork and administrative overhead, and thus trim care costs. It has already happened on a smaller scale, one that can be reproduced widely.

Personal HSAs are coupled with higher-deductible, Catastrophic Insurance coverage, so none fall through the net by an unexpected major need; such coverage is much less expensive. The difference is put into the HSA, *before taxes*. Both immediate and long-term savings ensue. HSAs earn investment income, and can be used for all medical expense, covering the deductible,

as well as medications and incidentals. Unspent, it grows yearly. Your HSA is fully portable, if you change jobs, as many now do. It is also heritable by a spouse.

In one instance, Dominion Resources offered employees HSAs. Within a year, 80% of its 200 employees enrolled; health care costs fell 33%. Rand Corporation found the reduced expenditures came from reduced optional services, increased use of preventive care, and cost selection between providers. In another, Golden Rule Insurance Co. enrolled 90% of its 1,300 employees the first year, cutting health care costs by 40%. Preventive care increased 20%.

Do you know what? Forty percent of those signing up were previously *uninsured*! The majority of HSA purchasers (56%) had incomes below \$15,000. The benefits of the HSAs are many, reducing health care costs and extending coverage. *The Milwaukee Sentinel* reports that HSAs cut insurance costs to average small businesses by 42% in 2004.

SB 197 and SB 198, submitted by Sen. Patterson, will extend these benefits to many more Michigan citizens. The bills will also allow us to gage how many businesses and individuals have HSAs, to demonstrate their usefulness more completely. (This will show just how many HSAs Michigan has.) The first will extend tax incentives to individuals, and the second to small businesses, for HSAs.

This new health care model, emphasizing preventive care, can make our country healthier and more competitive in the global marketplace, cutting care costs across the board, not sacrificing quality. More people can be covered, bureaucratic intrusion reduced. This is not on a Conservative *vs.* Liberal scale, not a Right *vs.* Left matter, but an Up or Down concern. *Up* points toward personal freedom, and *Down* sinks toward the quagmire of control by government, HMOs, and the insurance bureaucracy. That old model led us into the swamp. The new model leads us back to firmer ground.

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Senator Patterson (R-Canton) represents Michigan's Seventh District; Dr. Janda founded Ann Arbor's Institute of Preventive Sports Medicine in 1989, < [www.noinjury.com](http://www.noinjury.com) >. He authored *The Awakening of a Surgeon*, now in its 4<sup>th</sup> edition.